

**ASSEMBLY BILL**

**No. 2374**

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**Introduced by Assembly Member Roger Hernández**

February 24, 2012

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An act to amend Section 711.5 of the Civil Code, relating to property.

LEGISLATIVE COUNSEL'S DIGEST

AB 2374, as introduced, Roger Hernández. Property: conditions of ownership.

Existing law governs property ownership and conditions for property ownership. Under existing law, a state or local public entity that provides housing purchase or rehabilitation loans may deny assumptions, or require the denial of assumptions, of a housing purchase or rehabilitation loan by a subsequent ineligible purchaser or transferee. Existing law authorizes a state or local public entity that provides housing purchase or rehabilitation loans to accelerate or require that a loan's principal balance be accelerated if the subsequent purchaser or transferee does not meet the entity's eligibility requirements. The state or local public entity is also authorized to recast the repayment schedule for the remainder of a loan term as a condition of authorizing assumption of a housing purchase or rehabilitation loan.

This bill would make technical, nonsubstantive changes to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 711.5 of the Civil Code is amended to read:

711.5. (a) Notwithstanding the provisions of Sections 711 and 1916.5, a state or local public entity *that* directly or indirectly ~~providing~~ *provides* housing purchase or rehabilitation loans shall have the authority to deny assumptions, or require the denial of assumptions, by a subsequent ineligible purchaser or transferee of the prior borrower of the obligation of any ~~such~~ loan made for the purpose of rehabilitating or providing affordable housing. If ~~such~~ a subsequent purchaser or transferee does not meet ~~such~~ *an* the entity's eligibility requirements, ~~that~~ *the* entity may accelerate or may require the acceleration of the principal balance of the loan to be all due and payable upon the sale or transfer of the property.

(b) As a condition of authorizing assumption of a loan pursuant to this section, the entity may recast the repayment schedule for the remainder of the term of the loan by increasing the interest to the current market rate at the time of assumption, or to ~~such a~~ lower rate of interest as is the maximum allowed by an entity that provided any insurance or other assistance ~~which~~ *that* results in an assumption being permitted. Any additional increment of interest produced by increasing the rate of interest upon a loan pursuant to this subdivision shall be transmitted or forwarded to the entity for deposit in the specified fund from which the loan was made, or, if no such fund exists, or the public entity has directed otherwise, then to the general fund of ~~such~~ *that* entity.

(c) The state or local public entity providing assistance as specified in this section may implement appropriate measures to assure compliance with this section.